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BEFORE THE ARIZONA CORPORATION CC

DOUG LITTLE
CHAIRMAN
BOB STUMP
COMMISSIONER
BOB BURNS
COMMISSIONER
TOM FORESE
COMMISSIONER
ANDY TOBIN
COMMISSIONER

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AZ CORP COMMISSION
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2016 MAY 4 AM 9 17

IN THE MATTER OF THE APPLICATION OF
EPCOR WATER, INC. FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT &
PROPERTY & FOR
INCREASES/DECREASES IN ITS RATES &
CHARGES BASED THEREON FOR UTILITY
SERVICE BY ITS AGUA FRIA,
ANTHEM, MOHAVE, SUN CITY & SUN CITY
WEST WASTEWATER DISTRICTS & FOR
CONSIDERATION OF CONSOLIDATION
AND DE-CONSOLIDATION PROPOSALS

Docket No. WS-01303A-16-0145

Arizona Corporation Commission
DOCKETED

MAY 04 2016

DOCKETED BY

OPENING COMMENTS FOR THE DOCKET

The largest issue confronting the Arizona Corporation Commission in this case revolves around consolidation. Consolidation of Water and Wastewater entity issues are twofold. One relates to the consolidation of the statewide small, underperforming and fragmented utilities spread across the State of Arizona. The other relates to this case in particular which concerns the consolidation of five EPCOR Districts and not germane to the previously noted statewide issue. The two issues are not synonymous nor necessarily pertinently connected. I will concentrate on the EPCOR singular consolidation issue as it relates to this case.

1 The case for consolidation of the five EPCOR Districts was brought about
2 consequent to the re-opening of a prior Commission Decision initiated by the ACC
3 reception of a petition from ratepayers in the Agua-Fria District. A petition presented by
4 approximately 3,400 ratepayers from the Communities of Cross River, Dos Rios, Corte
5 Bella, and Coldwater Ranch (part of Agua-Fria District), asked for rate relief and noted
6 they felt it unfair that other district rates were significantly lower than theirs.

7 Out of the blue, the Commission Staff determined it was prudent to re-configure
8 ratemaking based on the cost-causer to one of consolidated cost sharing; subsidy based.
9 The previously noted petitioners clearly listed their expectations. In no case was there
10 mention nor expectation thereof for "full consolidation" of the EPCOR wastewater
11 districts. There was no complaint nor mention of "full consolidation" until noted on page
12 6, item three (3), which is contained in ACC's Staff recommendation document dated July
13 8, 2014. The matter of "full consolidation" of EPCOR water/wastewater districts was ruled
14 not in the best interest of the public in 2012. So why the sudden proposed change?

15 EPCOR and the Commission staff noted that due to the aging infrastructures in the
16 older Sun City Communities, including Youngtown, it would be in the long term best
17 interest of those ratepayers to participate in the consolidation of the five EPCOR Districts.

18 Upon analysis of the various positions, the ratepayers of Sun City, Sun City West
19 and Youngtown disagreed with the Staff and EPCOR recommendation to fully consolidate.
20 In October 2014 a petition was presented to the Corporation Commission signed by over
21 10,000 ratepayers noting that they, "do hereby petition the Arizona Corporation
22 Commission to move and vote to remove, the issue of "Full Consolidation" of EPCOR's
23 wastewater districts presently included in the review of the matter per Dockets: W-
24 01303A-09-0343 and SW-01303A-09-0343". The petition was ignored by the Commission

1 and no action was taken. It is interesting that the initial petition (3,400), got a prior
2 decision re-opened but the subsequent petition (10,000+), requesting the newly presented
3 “Consolidation” issue be removed, was ignored by the Commission.

4 Also, the Commission held three ratepayer communication meetings in October
5 2014. Two were held for the benefit of the Aqua-Fria ratepayers and one in Sun City.
6 Approximately 300 persons attended the two Agua-Fria meetings and 1,700 attended the
7 Sun City venue. Well in excess of 70% of the attendees were aggressively against “full
8 consolidation” of the districts.

9 The Sun Cities and City of Youngtown represent over 70% of the EPCOR
10 Wastewater ratepayers. This coalition of ratepayers remains staunch that we continue to
11 abide by the cost causation principles of ratemaking and further demand “full
12 consolidation” be removed for consideration from this case.

13 The Sun City citizens and ratepayers are not looking for a handout. The ratepayers
14 fully understand the implications of cost causation and accept the terms of such.

15 EPCOR states that there are approximately 70 miles of system pipe in Sun City that
16 will need to be repaired over the not too distant future. Consolidation, as currently
17 defined, would require the Sun City District ratepayers to absorb an approximate \$15/mo.
18 increase to fund the program. That number equates to an annual subsidy funding of at
19 least \$5,000,000.00. Remember, the Sun City District ratepayers alone, have already
20 contributed to the subsidy to the tune of \$1,600,000.00 and climbing, since December
21 2014. Given the normal life span of the in-ground pipe is 80 – 100 years and most of the
22 pipe was installed in the ‘60s we have about 25 years left before all fails. That computes to
23 about three (3-4) miles per year. Using in-ground re-lining technologies EPCOR should be
24 able to repair this pipe for approximately \$650,000/mile at a cost of \$2,600,000/year. Do

1 the math, full consolidation is “**not**” in the best interest of the Sun City District ratepayers.
2 Yet, here we are again.

3 Remember, we in Sun City, Youngtown and Sun City West have paid-up systems.
4 The other three districts do not have paid-up infrastructures but rather have large debt
5 services against their systems, which they want SC & SCW Districts to help them pay for.
6 Why should the Commission expect a retiree in SC/SCW/Youngtown help pay for
7 water/sewer system infrastructure for other Districts? It makes no sense.

8 Based on the Commission’s past and present commitment to cost of service
9 ratemaking, it is only logical that full consolidation continues to be simply, “not allowable”.

10 The Environmental Finance Center (UNC) and the Water Infrastructure Finance
11 Authority of Arizona (WIFA) have conducted an annual water and wastewater rates survey
12 of nearly all local government and other categories of utilities (domestic water/wastewater
13 improvement districts, non-profits, for-profits, etc.) in the State of Arizona since 2014.
14 Over 350 utilities across the state participated in the survey. Regarding wastewater please
15 note Attachment I. The UNC study numbers verify that all five district ratepayers as well as
16 the company have not fallen into the red relating to affordability and cost recovery.
17 Further, it is important to note that pertaining to current residential rates, all were vetted
18 by all EPCOR wastewater district interveners, RUCO, ACC Staff, assigned ACC ALJ and a
19 unanimous vote of the Commissioners to be fair, equitable and in the public’s best interest
20 as listed and Agreed in the November 2014 Settlement Agreement.

21 Scuttle the full consolidation program from consideration. The ratepayers have
22 already paid too much just for EPCOR to perform studies (as directed by the Commission),
23 that will not alter the resolve of over 70% of the ratepayers. Remember, it is not EPCOR or
24

1 the Commission Staff who should determine "what is best for the Sun City District
2 Ratepayers". It is the ratepayers who should make that call.

3 Finally, a statement from an EPCOR executive at a recent presentation caught me
4 off guard; "Commissioners consider this a Consolidation Case". We thought this was a
5 Wastewater Rate Case application by EPCOR, for a determination of the current fair value
6 of its utility plants and property and for increases in its rates and charges based thereon for
7 utility service. If the Commission is determined to mandate some sort of "full
8 consolidation" of the EPCOR Districts – Tell us now – It is very expensive for everyone to
9 be fighting for positions that the Commission has no intention of moving toward. The
10 Commission should lead the direction it favors. It is not productive not to do so.

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13 RESPECTFULLY SUBMITTED this 3rd day of May, 2016.

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16 Greg Eisert
17 Director
18 Chairman Government Affairs
19 Sun City Home Owners Assoc.
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ATTACHMENT I (UNC)

	Median Home Price '000	Median Household Income '000	Household Size "People"	% Total Ratepayers	Rate*	Ratepayer Affordability	EPCOR Cost Recovery	Previous Price - Pre Subsidy
Agua Fria	\$ 300	\$ 58.5	2.8	10.50%	\$ 71.16	Yellow	Green	\$ 106.21
Russell Ranch	\$ 559							
Corte Bella	\$ 369							
Verrado	\$ 310							
Crossriver	\$ 260							
Coldwater	\$ 225							
Dos Rios	\$ 189							
Anthem	\$ 335	\$ 75.4	3	15.80%	\$ 60.30	Green	Green	\$ 62.43
Sun City West	\$ 189	\$ 45.7	1.7	28.10%	\$ 32.00	Green	Green	\$ 30.96
Mohave	\$ 160	\$ 52.3	2.7	1.80%	\$ 32.46	Yellow	Green	\$ 56.95
Sun City	\$ 127	\$ 36.2	1.6	43.90%	\$ 22.11	Green	Green	\$ 18.11

Notes:

* Base Rates agreed by all parties to be fair, equitable and in the public's best interest - Nov.2014

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of the foregoing filed this 3rd day
of May, 2016 with:

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COPIES of the foregoing hand delivered/
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By

Carrie Stoddard